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Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 /126 W
----------079216 221703Z /53
P 221514Z MAY 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 9949
INFO AMEMBASSY BUCHAREST

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USMTN

PASS STR ELECTRONICALLY FOR ACTION
STR PASS CODEL

E.O.11652:N/A
TAGS: ETRD, MTN, RO
SUBJECT: POSSIBLE ROMANIAN CONTRIBUTIONS TO THE MTN

REF: BUCHAREST 3203

1. SUMMARY: WE WERE GIVEN AN ORAL FORECAST OF ROMANIAN MTN CONTRIBUTION MAY 19. ACTION REQUESTED: SEE PARA 7 BELOW. END SUMMARY. /

2. ROMANIAN REP PETRESCOU (ACCOMPANIED BY 2 OFFICIALS FROM MINISTRY OF FOREIGN TRADE, MESSRS. ION AND MASU) MET WITH CULBERT MAY 19 TO DISCUSS NATURE OF POSSIBLE ROMANIAN CONTRIBUTION TO THE MTN INCLUDING ROMANIAN RESPONSE TO U.S. NTM REQUESTS. ROMANIANS INSISTED THEY COULD NOT COMMIT PRECISE NATURE OF THEIR CONTRIBUTION UNTIL THEY WERE ABLE
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TO ASSESS BENEFITS TO ROMANIA THAT WOULD EMERGE FROM THE MTN AND, CONSEQUENTLY, UNABLE TO GIVE US A WRITTEN DECLARATION AT THIS TIME. THEY ALSO DENIGRATED THE VALUE TO ROMANIA OF PRODUCT-SPECIFIC OFFERS PRESENTLY ON THE TABLE BY BOTH U.S. AND EC. IN CASE OF U.S., THEY CITED PETROLEUM EXCLUSION, U.S. ECONOMIC AND MANDATORY EXCEPTIONS AFFECTING MAJOR ITEMS OF ROMANIAN TRADE INTEREST (TEXTILES, SHOES),

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AS WELL AS EROSION OF GSP PREFERENCE MARGINS (WE MADE THE USUAL RESPONSE). IN CASE OF EC, ROMANIA WAS VERY CONCERNED ABOUT EC'S "POSSIBLE WITHDRAWAL LIST" WHICH, THEY CLAIM, WOULD HIT ROMANIA VERY HARD IF IMPLEMENTED. HOWEVER, THEY AVOWED STRONG ROMANIAN INTEREST IN A SUCCESSFUL MTN AND WERE WILLING TO GIVE A FORECAST OF THE KINDS OF CONTRI-BUTIONS ROMANIA COULD CONSIDER, AS OUTLINED BELOW.

3. CONCERNING MTN CODES, PETRESCOU SAID ROMANIAN ACCEPT-ANCE OF THE DRAFT STANDARDS CODE WAS "ALMOST CERTAIN". HE DESCRIBED ROMANIAN ACCEPTANCE OF NEW CUSTUMS VALUATION CODE AS "PROBABLE" ALTHOUGH ROMANIA WAS NOT PRIVY TO DETAILS BEING NEGOTIATED AMONG BIG 3. SUBSIDIES/COUNTER-VAIL IS A QUESTION-MARK UNTIL ROMANIA HAS ACCESS TO TEXT STILL BEING DEVELOPED AMONG BIG 3. HE DESCRIBED GOVERN-MENT PROCUREMENT CODE AS NOT BEING OF MUCH INTEREST TO ROMANIA BECAUSE OF LIMITED POSSIBILITY OF ROMANIA COM-PETING IN OTHER COUNTRY MARKETS FOR GOVERNMENT PURCHASES BUT HE DID NOT EXCLUDE THE POSSIBILITY OF ROMANIA JOINING, NOTING ROMANIA DOES PROCURE SOME EQUIPMENT ABROAD FOR GOVERNMENT USE, E.G., TYPEWRITERS. PETRESCOU SAID ROMAN-IAN ADHERENCE TO THE PROPOSED TEXTS ON LICENSING WAS "POSSIBLE". ON SAFEGUARDS, ROMANIA WAS INTERESTED BUT MORE FROM THE VIEWPOINT OF ANXIETY ABOUT BEING THE TARGET OF SELECTIVE ACTION RATHER THAN A CODE THAT WOULD ACCORD ANY BENEFITS TO ROMANIA. (PETRESCOU ACKNOWLEDGED LIMITED OFFICIAL USE

ROMANIA WAS ALREADY SUBJECT TO SELECTIVE SAFEGUARD ACTION UNDER TERMS OF ITS PROTOCOL OF ACCESSION.)

4. ON AGRICULTURE, PETRESCOU SAID PROPOSALS ADVANCED BY EC FOR "CONCERTED DISCIPLINES" WERE GENERALLY ACCEPTABLE TO ROMANIA.

5. CONCERNING U.S. NTM REQUESTS (MTN/NTM/I43/ADD 1), PETRESCOU MADE FOLLOWING COMMENTS:

A) AFTER PROBING FOR EXPLANATION OF WHY U.S. WANTED ROMANIA TO UNDERTAKE "CONTINUED EFFORTS TO INCREASE IMPORTS FROM GATT MEMBER COUNTRIES," HE SAID A GENERAL ROMANIAN DECLARATION REFERRING TO ITS CURRENT OBLIGATION UNDER SCHEDULE ATTACHED TO PROTOCOL OF ACCESSION WOULD BE POSSIBLE.

B) CONCERNING EXCHANGE RATE, HE SAID 12-20 DIFFER-ENTIAL HAS NARROWED TO 12-18. PETRESCOU INDICATED 12-18 RATES WERE ESTABLISHED IN CONSULTATION WITH IMF. HE COULD MAKE NO COMMITMENT EITHER BILATERALLY TO U.S. OR GLOBALLY IN MTN ABOUT EXCHANGE RATE (AND SAID SUBJECT

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INAPPROPRIATE FOR MTN IN ANY CASE), ALTHOUGH HE AND HIS COLLEAGUES FROM BUCHAREST CLAIMED THE DIFFERENTIAL WILL PROBABLY BE NARROWED FURTHER OVER COMING YEARS. (CAN EMBASSY BUCHAREST CLARIFY THIS MATTER WHICH WAS NOT VERY CLEAR TO US?)

C) CONCERNING REQUEST TO BYPASS ARGUS FOR DIRECT PAYMENT TO LOCAL EMPLOYEES, PETRESCOU'S RESPONSE WAS NEGATIVE. RATIONALE: SOCIAL BENEFITS (SOCIAL SECURITY, MEDICAL, AND OTHER BENEFITS SUCH AS CARE FOR CHILDREN OF WORKING MOTHERS) ARE NOMINALLY "FREE" FOR ROMANIAN CITIZENS AND DO NOT SHOW UP IN WAGE COSTS OR CONTRIBUTIONS FROM INDIVIDUALS OR ENTERPRISES. HIGHER WAGES REQUIRED BY

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ARGUS FOR LOCAL HIRE BY FOREIGN FIRMS IS A ROUGH APPROXIMATION OF SOCIAL BENEFITS ROMANIAN GOVERNMENT MUST GIVE TO CITIZENS EVEN IF EMPLOYED BY FOREIGN FIRMS. PETRESCOU ALSO STOUTLY MAINTAINED ARGUS IS A GREAT BENEFIT TO FOREIGN FIRMS AS AN INTERMEDIARY TO AVOID LATTER FINDING THEMSELVES WITH INCOMPETENT OR UNTRUSTWORTHY EMPLOYEES.

D) DIRECTORY OF INDUSTRIAL ENTERPRISES, RESEARCH INSTITUTES, ETC. PETRESCOU SAID THIS WAS NO PROBLEM AND COULD BE DONE.

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E) BALANCE OF PAYMENTS DATA. PETRESCOU SAID ROMANIA HAS BEEN REQUIRED SINCE JOINING IMF IN DEC 1972 TO SUPPLY B/P DATA TO IMF ON CONFIDENTIAL BASIS AND THIS MATERIAL IS AVAILABLE TO USG AND OTHER FUND MEMBERS. MORE LIMITED B/P DATA ALSO SUPPLIED ANNUALLY TO GATT. ROMANIA DOES NOT WISH TO FREELY PUBLISH THIS DATA BECAUSE ROMANIA
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CONSIDERS RISKS (PRESS SPECULATION, POSSIBLE IMPACT ON AVAILABILITY FOREIGN CREDITS) FAR OUTWEIGH ANY ADVANTAGE TO ROMANIA OF SATISFYING EVERY FOREIGN FIRM'S "CURIOSITY" ABOUT ROMANIA B/P. PETRESCOU AND HIS COLLEAGUES OPINED THAT MAJOR FOREIGN FIRMS INTERESTED IN A MAJOR COMMERCIAL UNDERTAKING HAVE NO DIFFICULTY OBTAINING KEY DATA ON ROMANIAN B/P POSITION EITHER FROM THEIR OWN GOVERNMENTS OR FROM ROMANIAN GOVERNMENT IF LATTER ANXIOUS TO FACILITATE THE CONTRACT AND THE FOREIGN FIRM CAN DEMONSTRATE LEGITIMATE LINK BETWEEN THE CONTRACT AND INFO ON OVERALL B/P POSITION.

F) U.S. REQUEST FOR MONTHLY FOREIGN TRADE STATISTICS: PETRESCOU SAID SUCH INFO EITHER ALREADY IS OR SHORTLY WOULD BE PUBLISHED ON QUARTERLY BASIS. HE THOUGHT IT WOULD BE SEVERAL YEARS BEFORE ROMANIA COULD DO SO ON MONTHLY BASIS.

G) U.S. COMPLAINT ABOUT UNAVAILABILITY OF TEMPORARY ROMANIAN EMPLOYEES. PETRESCOU SAID ARGUS WOULD BEGIN TO OFFER OFFICE WORKERS FOR TEMPORARY HIRE AS OF JUNE 1.
6. CULBERT ASKED PETRESCOU TO GIVE US A WRITTEN SUMMARY OF ROMANIAN REPLIES TO OUR REQUESTS IN ORDER TO BE CERTAIN WE CORRECTLY UNDERSTOOD GOR POSITION (CONVERSATION RECORDED ABOVE WAS ENTIRELY IN FRENCH). PETRESCOU SHIED AWAY ON SEVERAL GROUNDS: (A) GOR DID NOT WISH TO PUT ITS "OFFER" IN WRITING UNTIL IT COULD ASSESS OVERALL BENEFITS OF MTN; (B) LARGE PART OF GOR OFFER WILL BE ADHERENCE TO CODES BUT IT IS TOO SOON FOR GOR TO DECLARE UNEQUIVOCALLY THAT IT WILL SIGN TEXTS STILL BEING DEVELOPED AMONG BIG 3; AND (C) GOR CONSIDERED SOME U.S. REQUESTS AS INAPPROPRIATE FOR MTN. CULBERT TOLD PETRESCOU WE WOULD NEED A FORMAL WRITTEN GOR OFFER BEFORE COMPLETION OF MTN IN ORDER TO BE
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ABLE TO TELL U.S. CONGRESS WHAT CONTRIBUTIONS WE RECEIVED FROM ALL MTN PARTICIPANTS; WE ALSO CAUTIONED THAT ABSENCE

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OF ANY FORMAL GOR OFFER COULD ADVERSELY AFFECT RETENTION OF U.S. OFFER ON ANY PRODUCT PRINCIPALLY SUPPLIED BY ROMANIA.

7. ACTION REQUESTED: (A) WASHINGTON REACTION TO PROSPECTIVE ROMANIAN OFFER INDICATED ABOVE, (B) GUIDANCE ON ANY POINTS WASHINGTON WISHES US TO PURSUE WITH A VIEW TO PRESSING FOR MORE FAVORABLE GOR RESPONSE, AND (C) CONFIRMATION THAT WE SHOULD INSIST ON A WRITTEN SUMMARY OF GOR OFFERS BY JULY 15.

8. DRAFTED BY CULBERT. MCDONALD

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Message Attributes

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